



Income from Patents, Inventions, and Discoveries

I. INTRODUCTION

Institutional policy concerning rights and equities in inventions made by University employees has been established by The Board of Trustees of the University of Alabama. This policy is currently stated in Board Rule 509. In certain instances, delineated in Board Rule 509, assignment of ownership interests in an invention or discovery (hereafter the terms "invention" and "discovery" will be used interchangeably) must be made by the employee to the University (see 509. 2.c.). To ensure that the employee's effort in developing such an invention is recognized, the President (or designee) of the employee's campus is authorized to agree to pay the employee a percentage of the financial returns received by the University from such invention. In this connection, the Board Rule directs each campus President to adopt a "policy governing the percentage of royalties, fees, and other financial returns on an invention paid to the inventor" (509.2.f). This policy is intended to carry out that directive.

II. ALLOCATION OF ROYALTY INCOME

Board Rule 509 stipulates that certain inventions or discoveries made by a University employee must be assigned to the University (see 509.2.d.). In any instance in which such an assignment must be made, the employee and the University shall enter into an agreement providing for recognition of ownership of the invention in or an assignment of the invention to the University; division of royalties, fees, and other financial returns received by the University from such inventions; any grant of rights of use to be made to the employee; and other pertinent terms.

Division of income shall be handled as follows:

- Gross royalties, fees, and other financial returns received by the University from such inventions shall first be reduced by 15% for administrative costs plus additional expenses of patenting, protecting patent rights, and marketing the inventions. This reduction is expressly required by Board Rule 509 (see 509.2.f.).
- Net income remaining shall then ordinarily be divided in accordance with the percentages stated below. If special equities exist due to unusual circumstances, a variation of this allocation scheme may be utilized.

Accumulated Net Income	Employee	Employee's Unit	Research Fund
\$0 - \$50,000	70%	20%	10%
Over \$50,000	40%	40%	20%

The employee's unit shall be the primary organization (i.e., college, center, etc.) to which he or she is assigned at the time the invention was made. Where appropriate, a portion of the income payable to any employee's primary organization may be shared with the department.

In the event that two or more University employees combine in the making or discovery of an invention, it shall be irrefutably presumed that such employees were equal contributors to the making or discovery of such invention. Therefore, all such employees and their respective units shall divide accumulated net income pro rata and in equal shares, share and share alike. After such equal division between the employees and their respective units, the employee, his unit or organization and the research fund shall divide that pro rata share according to the schedule set out herein.

Various University consortia and other organizations may be formed as developmental and commercialization organizations with one of their goals being fiscal self-sufficiency. For employees assigned to these organizations, the following allocation scheme will be used:

Accumulated Net Income	Employee	Employee's Unit	Research Fund
\$0 - \$50,000	35%	60%	5%
Over \$50,000	20%	70%	10%

Any University employee assigned to any such organization shall ordinarily be informed prior to beginning employment that he or she is subject to the allocation scheme identified above.

Original signed by:

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